

Message Text

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NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04 TAR-01

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FM AMEMBASSY MBABANE

TO SECSTATE WASHDC 8354

INFO AMEMBASSY GABORONE

AMEMBASSY MASERU

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SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS --
SWAZILAND

REF: STATE 165596

1. INVESTMENT CLIMATE -- SWAZILAND

BLESSED WITH CONSIDERABLE NATURAL RESOURCES, POLITICAL STABILITY, RELATIVELY GOOD INFRASTRUCTURE, AND GOVERNMENT WHICH FAVORS PRIVATE ENTERPRISE, SWAZILAND OFFERS AN ATTRACTIVE CLIMATE FOR FOREIGN INVESTMENT. THE GOVERNMENT HAS ESTABLISHED THE NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND (NIDCS) FOR THE EXPRESS PURPOSE OF ATTRACTING AND ASSISTING FOREIGN INVESTMENT. NIDCS SERVICES TO PROSPECTIVE INVESTORS INCLUDE: FEASIBILITY STUDIES, MARKET RESEARCH, THE CONSTRUCTION AND LEASING OF FACTORY UNCLASSIFIED

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SHELLS AND ASSISTANCE IN FINANCING. COMPANIES OTHER

THAN MINING COMPANIES ARE TAXED AT A FLAT RATE OF 33-1/3 PERCENT, BUT SPECIAL DEPRECIATION ALLOWANCES ARE ALLOWED FOR NEW INVESTORS. NO GENERAL SYSTEM OF INDUSTRIAL LICENSING EXISTS ALTHOUGH GOVERNMENT APPROVAL FOR THE PRODUCTION OF SOME TYPES OF PRODUCTS IS REQUIRED. LABOR COSTS ARE LOW AND LABOR UNREST EXTREMELY RARE. ALTHOUGH THERE IS PRESSURE FOR LOCALIZATION OF EXPATRIATE-HELD JOBS, THE PACE IS MODERATE AND NOT UNREASONABLE.

AN INVESTOR IN SWAZILAND HAS A NUMBER OF POTENTIAL MARKETS. SINCE SWAZILAND IS A MEMBER OF THE SOUTH AFRICAN CUSTOMS UNION, WHICH INCLUDES BOTSWANA, LESOTHO AND THE REPUBLIC OF SOUTH AFRICA, HE HAS IMMEDIATE ACCESS TO THIS LUCRATIVE MARKET. AT THE SAME TIME, HE CAN LOOK FORWARD TO THE POSSIBILITY OF SELLING HIS PRODUCTS ELSEWHERE IN AFRICA. IN ADDITION, SWAZILAND IS A SIGNATORY OF THE LOME CONVENTION, OPENING UP THE VAST EUROPEAN MARKET TO ITS PRODUCTS. ONE FOREIGN INVESTOR IS MAKING PLANS FOR A SIZABLE EXPANSION OF ITS PLANT TO TAKE ADVANTAGE OF THIS NEW OPPORTUNITY.

SWAZILAND'S ECONOMY IS DUALISTIC IN NATURE. IN THE MODER SECTOR, WHICH IS HIGHLY DIVERSIFIED AND PROFITABLE, FOREIGN INVESTORS PLAY A MAJOR ROLE. IN 1974, THE COUNTRY HAD A VERY FAVORABLE BALANCE OF PAYMENTS THANKS TO RECORD EXPORTS OF SUGAR AND WOOD PULP AT RECORD PRICES. FOREIGN INVESTORS ALSO PRODUCED AND EXPORTED IMPORTANT QUANTITIES OF ASBESTOS, CITRUS FRUIT, CANNED PINEAPPLE, COTTON, AND MEAT PRODUCTS. THE LARGE TRADITIONAL SECTOR, COMPRISING SOME 75 PERCENT OF THE POPULATION, IS ALMOST EXCLUSIVELY ENGAGED IN RURAL SUBSISTENCE AGRICULTURE. IT IS GOVERNMENT POLICY TO PROMOTE RURAL DEVELOPMENT AND TO ENCOURAGE LABOR INTENSIVE INDUSTRY. THE SWAZI NATIONAL COUNCIL, THE REPRESENTATIVE OF THE TRADITIONAL SECTOR, HAS BEGUN TO ACQUIRE SIGNIFICANT MINORITY INTERESTS IN SUCH MODER ENTERPRISES AS SUGAR MILLS AND THE ASBESTOS MINE, THOUGH PURCHASE AGREEMENTS WITH THE FOREIGN COMPANIES WHICH CONTROL THESE ENTERPRISES. THUS, SWAZILAND IS MOVING TOWARDS A PARTNERSHIP ARRANGEMENT WITH FOREIGN PRIVATE INVESTORS.

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THE UNITED STATES GOVERNMENT SUPPORTS AMERICAN INVESTMENT IN SWAZILAND. THE UNITED STATES AND SWAZILAND HAVE A STANDARD INVESTMENT GUARANTEE AGREEMENT, AND OPIC CAN PROVIDE BOTH EQUITY PARTICIPATION IN CERTAIN PROJECTS AND INVESTMENT INSURANCE.

2. INVESTMENT STATISTICS

A. U.S. DIRECOINVESTMENT -- ALTHOUGH A FEW U.S. FIRMS
HAVE INVESTMENTS IN SOUTH AFRICAN AND U.K. FIRMS WHICH IN
TURN HAVE INVESTED IN SWAZILAND, THERE IS NOT DIRECT U.S.
INVESTMENT IN SWAZI INDUSTRY.

B. DIRECT INVESTMENT BY ALL COUNTRIES (BOOK VALUE) AT
THE END OF 1974:

TOTAL - \$100 MILLION

U.K. - 66 MILLION

SOUTH AFRICA - 34 MILLION

(SOURCE -- THERE ARE NO OFFICIAL STATISTICS ON FOREIGN
INVESTMENT IN SWAZILAND. FIGURES ABOVE ARE ROUGH ESTIMATES
FROM KNOWLEDGEABLE SOURCES.)

C. DIRECT INVESTMENT IN THE U.S. BY FOREIGNERS -- NONE

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